

CHAPTER 16

RURAL HOUSING AND ECONOMIC DEVELOPMENT

- 16-1 APPLICABILITY. This Chapter provides comprehensive guidance for monitoring the Rural Housing and Economic Development (RHED) Program. The RHED program was designed to provide for capacity building at the State and local level for rural housing and economic development and to support innovative housing and economic development activities in rural areas. Eligible applicants are local rural non-profits, community development corporations (CDCs), state housing finance agencies (HFAs), state community and/or economic development agencies, and federally recognized Indian tribes.

Funds are awarded competitively on an annual basis through a Notice of Funding Availability (NOFA) selection process conducted by HUD. Funds are available to assist rural communities in two principal ways: Capacity Building and Support for Innovative Housing and Economic Development Activities. Capacity Building enhances existing organizations to carry out new functions and/or perform existing functions more effectively. Support for Innovative Housing and Economic Development activities provides (but is not limited to) other costs for innovative housing and economic development activities.

- 16-2 PREPARING FOR MONITORING. This Chapter is to be understood in the context of the risk assessment process described in Chapter 2, “*Management of Monitoring Activities.*” Before monitoring, the HUD reviewer should be familiar with both the RHED program requirements and the design and operation of the RHED entity’s program, especially any areas that have been identified as high risk or that are the subject of the monitoring. This pre-monitoring preparation helps to ensure that the time available for monitoring is used efficiently. This is particularly important in the reviewer has limited experience with the RHED program, has recently been assigned the RHED entity to be monitored, the monitoring will be conducted remotely, or the subject area to be reviewed appears to pose a risk.

The following materials provide information on the RHED program for the HUD reviewer:

- executed Grant Agreement(s)
- the RHED statute, the Departments of Veteran's Affairs, Housing and Urban Development and Independent Agencies Appropriations Act of 1999 (Pub. L. 105-276);
- the approved RHED grant application;
- all RHED grant application amendments;

- the NOFA for the RHED grant that is applicable to the grant year being monitored;
- Letter of Credit Control System (LOCCS) Forms [HUD-27054, LOCCS Voice Response System Access Authorization];
- all prior audit and monitoring reports;
- CPD Notice 03-10, “Use of HUD Resources to Assist Colonias,” dated October 8, 2003, which provides information and guidance for the four border states on best practices in distributing funds to communities with substandard living conditions along the U.S./Mexico border;
- 24 CFR Part 84 or 24 CFR Part 85, as applicable, depending on the type of entity to be monitored (see “Type of Applicant” section of the SF-424 form, “Application for Federal Assistance”); and
- OMB Circular A-87 or OMB Circular A-122, as applicable, depending on the type of entity to be monitored (see “Type of Applicant” section of the SF-424 form, “Application for Federal Assistance”).

16-3 FILE SELECTION AND SAMPLING. As described in Chapter 2, the risk analysis process will be used to determine which program participants and areas should be reviewed. Once that process has been completed, where it is indicated that a file review is necessary to answer Exhibit questions, the HUD reviewer should consider the following factors when determining the specific files that would comprise the review sample:

- A. Where feasible, initial file selection should be made using a random selection method.
- B. The reviewer would consider adding more files to this selection in order to:
 - i. include a file or files from each staff person working in the respective program area being monitored;
 - ii. expand the sample, if possible, to include additional files with the same characteristics, if indicated by the severity or nature of any problems(s) noted during the initial selection’s review (for example, same problem category, same staff person, same activities or other characteristics);

This expanded sampling aids in determining whether problems are isolated events or systemic.

- C. The reviewer may also add files to the selection from any project that the HUD reviewer has reason to believe may have compliance problems or that is substantially different in terms of size, complexity, or other factors from other projects the RHED has undertaken.